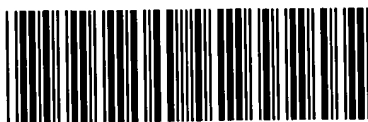


REGISTERED NUMBER: 10088491 (England and Wales)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020
FOR
B & D ENERGY LIMITED**

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**CONTENTS OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

	Page
Company Information	1
Report of the directors	2
Statement of directors' responsibilities	3
Independent auditor's report	4
Statement of Other Comprehensive Income	6
Statement of Financial Position	7
Statement of Changes in Equity	8
Statement of Cash Flows	9
Notes to the Financial Statements	10

B & D ENERGY LIMITED

**COMPANY INFORMATION
FOR THE YEAR ENDED 31 MARCH 2020**

DIRECTORS:

N Coldicott
M A Fowler
M A Tyson

REGISTERED OFFICE:

Barking Town Hall
Barking
Essex
IG11 7LU

REGISTERED NUMBER:

10088491 (England and Wales)

AUDITOR:

BDO LLP
16 The Havens
Ransomes Europark
Ipswich
Suffolk
IP3 9SJ

PARENT COMPANY:

London Borough of Barking and Dagenham
(referred to throughout the financial statements as LBBD)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 MARCH 2020**

The directors present their report with the financial statements of B & D Energy Limited ("the company") for the year ended 31 March 2020.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the provision of heat and energy supplies to commercial and residential customers.

Results for the period

The loss for the company before taxation was £60,364 (2019: Loss £150,435).

No qualifying indemnity provisions arise in the year (2019: none).

Future developments

To date, the company has experienced limited financial impact from Covid-19 and the directors are satisfied that the company will be able to meet their liabilities as they fall due for the foreseeable future. Further details are given in note 1 to the financial statements.

Directors

The directors during the year to the date of this report were:

N Coldicott (appointed 27 March 2020)

M A Fowler (appointed 27 March 2020)

M A Tyson (appointed 27 March 2020)

C Symonds (resigned 27 March 2020)

Statement as to disclosure of information to auditor

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, have expressed their willingness to continue in office.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies. The Company has relied upon the small companies' exemptions under Companies Act s419(2).

On behalf of the board:



M Tyson
Director
Barking Town Hall
Barking
Essex IG11 7LU
8th October 2021

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2020**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the UK) and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable relevant and reliable;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF B&D ENERGY LTD

Opinion

We have audited the financial statements of B&D Energy Limited ("the Company") for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and Statement of Cash Flows, and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Report of the Directors and the Statement of Directors Responsibilities, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Report of the Directors.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made;
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Report of the Directors.

Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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David Eagles (Senior Statutory Auditor)
For and on behalf of **BDO LLP**, Statutory Auditor

Ipswich, UK

11 October 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

B & D ENERGY LIMITED (REGISTERED NUMBER: 10088491)**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2020**

	Notes	2020 £	Restated 2019 £
Revenue	4	1,278,210	781,378
Cost of sales		<u>(729,090)</u>	<u>(495,850)</u>
Gross Profit		549,120	285,528
Investment income	5	956	451
Administrative expenses		(518,063)	(351,492)
Finance costs	8	<u>(92,377)</u>	<u>(84,922)</u>
(Loss) before tax	9	(60,364)	(150,435)
Taxation	10	-	-
(Loss) for the financial year		<u>(60,364)</u>	<u>(150,435)</u>
Other Comprehensive income		-	-
Total comprehensive income for the year		<u><u>(60,364)</u></u>	<u><u>(150,435)</u></u>

All amounts relate to continuing operations.

There were no other recognised gains or losses in the year.

The notes from page 10 to 22 form part of these financial statements

**STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	Notes	2020 £	Restated 2019 £
Non-current assets			
Plant and equipment	11	<u>2,789,069</u>	<u>2,495,450</u>
		2,789,069	2,495,450
Current assets			
Trade and other receivables	12	630,640	236,871
Cash and cash equivalents	13	<u>1,006,443</u>	<u>177,527</u>
		<u>1,637,083</u>	<u>414,398</u>
TOTAL ASSETS		<u><u>4,426,152</u></u>	<u><u>2,909,848</u></u>
EQUITY			
SHAREHOLDERS' EQUITY			
Called up share capital	17	1	1
Retained earnings	18	<u>(659,831)</u>	<u>(599,467)</u>
TOTAL EQUITY		<u>(659,830)</u>	<u>(599,466)</u>
LIABILITIES			
Non-current liabilities			
Borrowings	14	2,733,293	2,345,347
Deferred revenue	16	<u>1,947,000</u>	<u>1,075,000</u>
		<u>4,680,293</u>	<u>3,420,347</u>
Current liabilities			
Trade and other payables	15	362,689	88,967
Deferred revenue	16	<u>43,000</u>	<u>-</u>
		<u>405,689</u>	<u>88,967</u>
TOTAL LIABILITIES		<u><u>5,085,982</u></u>	<u><u>3,509,314</u></u>
TOTAL EQUITY AND LIABILITIES		<u><u>4,426,152</u></u>	<u><u>2,909,848</u></u>

The financial statements were approved by the Board of Directors on 8th October 2021 and were signed on its behalf by:



.....
M Tyson
Director

The notes from page 10 to 22 form part of these financial statements

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020**

	Called up share capital £	Retained earnings £	Total equity £
Balance at 31st March 2018	1	(449,032)	(449,031)
Restated loss for the year	<u>-</u>	<u>(150,435)</u>	<u>(150,435)</u>
Balance at 31st March 2019	<u>1</u>	<u>(599,467)</u>	<u>(599,466)</u>
Loss for the year	<u>-</u>	<u>(60,364)</u>	<u>(60,364)</u>
Balance at 31st March 2020	<u>1</u>	<u>(659,831)</u>	<u>(659,830)</u>

The notes from page 10 to 22 form part of these financial statements

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

		Year ended 2020 £	Restated Year ended 2019 £
Cash flows from operating activities	Notes		
Cash inflow/(outflow) from operations	19	<u>(87,040)</u>	<u>(33,304)</u>
Net cash from operating activities		<u>(87,040)</u>	<u>(33,304)</u>
Cash flows from investing activities			
Purchase of property, plant and equipment		(293,619)	(2,066,348)
Interest received		<u>956</u>	<u>451</u>
Net cash from investing activities		<u>(292,663)</u>	<u>(2,065,987)</u>
Cash flows from financing activities			
Drawdown of borrowings		293,619	2,274,882
Repayment of borrowings		-	(1,075,000)
Receipt of grant funding		<u>915,000</u>	<u>1,075,000</u>
Net cash from financing activities		<u>1,208,619</u>	<u>2,274,882</u>
Increase in cash and cash equivalents		828,916	175,591
Cash and cash equivalents at beginning of year		<u>177,527</u>	<u>1,936</u>
Cash and cash equivalents at end of year		<u><u>1,006,443</u></u>	<u><u>177,527</u></u>

The notes from page 10 to 22 form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1. BASIS OF PREPARATION

B & D Energy Limited (the “company”) is a private company limited by shares incorporated in England and Wales under the Companies Act. The address of the registered office is given on the Company information page and the nature of its principal activities are set out in the Report of the Directors.

The principle accounting policies adopted in the preparation of the financial statements are set out in note 19. The policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements are presented in pounds sterling.

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effect are disclosed in note 2.

In preparing the financial statements the company has taken advantage of the small companies' exemptions available under Companies Act 2006. Accordingly, no strategic report has been presented.

Measurement convention

The financial statements are prepared on a historical cost basis.

Changes in accounting policies

a) New standards, interpretations and amendments adopted from 1 April 2020

In the current year, the company has not adopted any new standards or interpretations.

b) New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the company has decided not to adopt early. The following amendments are effective for the period beginning 1 April 2022:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37);
 - Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16);
 - Annual Improvements to IFRS Standards 2018-2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41);
- and
- References to Conceptual Framework (Amendments to IFRS 3).

In January 2020, the IASB issued amendments to IAS 1, which clarify the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that ‘settlement’ includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments were originally effective for annual reporting periods beginning on or after 1 January 2022. However, in May 2020, the effective date was deferred to annual reporting periods beginning on or after 1 January 2023.

B & D Energy Limited is currently assessing the impact of these new accounting standards and amendments. The company does not believe that the amendments to IAS 1 or any other standards issued by the IASB, but not yet effective, will have a material impact upon it.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020

1. BASIS OF PREPARATION (continued)

Restatement of 31 March 2019 comparative balances

In the year ended 31 March 2020 the Directors reviewed the accounting policy being adopted with respect to the treatment of government grant income. Under the principles of IAS 20 it was assessed that grant income used in the development of capital assets should be matched to the assets economic life as disclosed in note 19, accounting policies

The effect of the adoption of this policy is that grant income of £1,075,000 recognised as revenue in the year ended 31 March 2019 is reclassified as deferred revenue as the underlying asset had yet to be brought into use. The previously reported profit before tax of £924,565 is restated as a loss before tax of £150,435. Trading losses arise on the revised results and the previously reported taxation charge of £175,667 is restated as £nil. The restated balances are summarised as follows:

Financial statement area	As previously stated £	Adjustment £	Restated £
Deferral of government grant:			
Statement of comprehensive income			
Revenue from government grant	(1,075,000)	1,075,000	-
Statement of financial position			
Deferred income	-	(1,075,000)	(1,075,000)
Statement of comprehensive income			
Corporation tax charge	175,667	(175,667)	-
Statement of financial position			
Corporation tax liability	(175,667)	175,667	-

The effect on the Statement of changes in equity for the year ended 31 March 2019 is to restate retained earnings from a surplus of £299,866 to a deficit of £599,467. This has also required restatement of the comparative to the Statement of Cash Flows, including the reconciliation of operating cash flows in Note 19.

Going concern

The company is financed from funding provided by its parent. Additional working capital can be drawn from its parent as required to make trading acquisitions as they arise. The timing of repayments of the inter-company loan is discretionary and when cash flow permits. The company has also secured a grant to finance substantial capital works to continue the company's development and expansion plans.

The directors, after making enquiries that funding from its parent will continue, have a reasonable expectation that the company has adequate resources to continue in operational existence for at least twelve months from the date that the financial statements are approved.

2. Critical accounting judgements and key sources of estimation uncertainty

The company makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

**NOTES TO THE FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 31 MARCH 2020**

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

Estimates and assumptions

Revenue recognition

The company determines if a contract exists and whether it is in the scope of IFRS 15. The arrangement must create enforceable rights and obligations. At inception the company assesses the goods or services promised in a contract with a customer. It identifies the performance obligations, contractual promises to transfer distinct goods or services to a customer. For contracts with several components judgment is necessary to determine the performance obligations by considering whether these promised goods or services are:

- a) a good or service (or bundle of goods or services) that is distinct; or
- b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

For core services provided under most contracts entered into by the company, management has applied the principles of IFRS 15 and concluded that the promises are not distinct within the context of the contract and as such there are three performance obligations, being the initial connection to the company's assets, an ongoing capacity reservation charge and the supply of heating and electricity.

The company recognises revenue on a contract-by-contract basis based on the satisfaction of performance obligations. Where contracts include multiple performance obligations, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

3. Financial instruments - Risk Management

The objective of the company is to trade in the provision of heat and energy.

The company's principal financial instruments arise directly from its operations. The company does not have any exposure to any derivative instruments.

The company has exposure to market risk, credit risk and liquidity risk arising from the use of financial instruments. This note presents information about the exposure to each of the above risks and the objectives and policies and processes for measuring and managing risk. There is no foreign currency risk as all assets and liabilities of the company are maintained in pounds sterling.

The directors review and agree policies for managing its risk exposure which are summarised below.

Credit risk

Credit risk is the risk that an issuer or counterparty to an asset will be unable or unwilling to meet a commitment that it has entered into with the company.

In the event of default by a commercial or residential customer, the company will suffer a revenue shortfall and incur additional costs including legal expenses. The directors monitor customer late payments in order to anticipate, and minimise the impact of, defaults by customers.

The carrying amount of financial assets, including cash balances, amounts due from commercial and residential customers and other receivables recorded in the financial statements, represents the company's maximum exposure to credit risk. The carrying amount of these assets at 31 March 2020 was £1,637,083 (2019: £414,398). There were no financial assets which were considered impaired as at 31 March 2020 (2019: none).

All of the company's cash is placed with financial institutions with a Standard and Poor's long-term credit rating of A+ or better. Bankruptcy or insolvency of such financial institutions may cause the company's ability to access cash placed on deposit to be delayed or limited. Should the credit quality or the financial position of the banks currently employed significantly deteriorate cash holdings would be moved to another bank.

NOTES TO THE FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 31 MARCH 2020

3. Financial instruments - Risk Management (continued)

Liquidity risk

Liquidity risk is the risk that the company will encounter in realising assets or otherwise raising funds to meet financial commitments. The company's prime trading revenue streams are with commercial customers with long dated service agreements. The residential supply agreements are across a broad customer base reducing the impact of default by any one customer. Contracts are mainly entered into with other London Borough of Barking and Dagenham (LBBD) enterprises and the expectation of default is considered low. The company has funding in place to meet overhead and capital costs on long term loans with LBBD and the company has access to government grant funding.

The company's liquidity risk is managed on an ongoing basis by the directors. In order to mitigate liquidity risk the company aims to have sufficient cash balances, or access to funds from its parent to ensure that the company is able to meet its obligations for a period of twelve months.

At the reporting date, the maturity profile of the company's financial assets and financial liabilities were (on a contractual basis):

		Contractual value				
	Carrying amount	Within one year	1 - 2 years	2 -5 years	More than 5 years	Total
At 31 March 2020	£	£	£	£	£	£
Financial assets						
Trade and other receivables	630,640	630,640	-	-	-	630,640
Cash and cash equivalents	1,006,443	1,006,443	-	-	-	1,006,443
	<u>1,637,083</u>	<u>1,637,083</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,637,083</u>
Financial liabilities						
Trade and other payables	362,689	362,689	-	-	-	362,689
Loan borrowings: related party	2,733,293	-	-	813,871	1,919,422	2,733,293
	<u>3,095,982</u>	<u>362,689</u>	<u>-</u>	<u>813,871</u>	<u>1,919,422</u>	<u>3,095,982</u>
		Contractual value				
	Carrying amount	Within one year	1 - 2 years	2 -5 years	More than 5 years	Total
At 31 March 2019	£	£	£	£	£	£
Financial assets						
Trade and other receivables	236,871	236,871	-	-	-	236,871
Cash and cash equivalents	177,527	177,527	-	-	-	177,527
	<u>414,398</u>	<u>414,398</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>414,398</u>
Financial liabilities						
Trade and other payables	88,967	88,967	-	-	-	88,967
Loan borrowings: related party	2,345,347	-	-	493,354	1,851,993	2,345,347
	2,434,314	88,967	-	493,354	1,851,993	2,434,314

NOTES TO THE FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 31 MARCH 2020

3. Financial instruments - Risk Management (continued)

Interest rate risk

The LBBD loan facilities currently in place act as a combined revolving credit facility on a variable interest rate basis. As a consequence the company is exposed to interest rate risk due to fluctuations in the prevailing market rate.

As a result the company is exposed to changes in prevailing interest rates on the remaining balance of its borrowing detailed in note 14. Having assessed the level of risk the directors have concluded that it is within acceptable limits.

The interest profile of the company's financial assets and financial liabilities after the impact of the interest rate contracts at the year end are as follows:

	Floating rate £	Fixed rate £	Interest free £	Total £
As at 31 March 2020				
Financial assets				
Trade and other receivables	-	-	630,640	630,640
Financial instruments at fair value	-	-	-	-
Cash and cash equivalents	-	-	1,006,443	1,006,443
Financial liabilities				
Trade and other payables	-	-	362,689	362,689
Financial instruments at fair value	-	-	-	-
Loan borrowings: related party	2,733,293	-	-	2,733,293
	Floating rate £	Fixed rate £	Interest free £	Total £
As at 31 March 2019				
Financial assets				
Trade and other receivables	-	-	236,871	236,871
Financial instruments at fair value	-	-	-	-
Cash and cash equivalents	-	-	177,527	177,527
Financial liabilities				
Trade and other payables	-	-	88,967	88,967
Financial instruments at fair value	-	-	-	-
Loan borrowings: related party	2,345,347	-	-	2,345,347

The company has borrowings amounting to £2,733,293 (2019: £2,345,347) which have interest rates linked to the Bank of England base rate. A 1% increase in the Bank of England base rate will have the effect of increasing interest payable by £27,333 (2019: £23,453). A decrease of 1% would have an equal but opposite effect.

Market price risk

The company constructs and operates plant for the generation of heat and the supply of electricity. By nature of the operations and the company's relationship with LBBD and its associated companies, the company has secured long term contracts that will yield stable revenue streams from these assets into the future. Fluctuations in the energy price will not affect the underlying assets or the company. Consequently the market price risk is considered to be low.

**NOTES TO THE FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 31 MARCH 2020**

3. Financial instruments - Risk Management (continued)

Fair values

The company has not disclosed the fair values for financial instruments such as short-term trade receivables and payables, because their carrying amounts are a reasonable approximation of fair value. The company has no financial instruments that need to be categorised into different levels in a fair value hierarchy

4. Revenue from contracts with customers

Disaggregation of Revenue

The company has disaggregated revenue into various categories in the following table which is intended to depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic date.

	2020 £	2019 £
Service type		
Commercial customers heat and energy	571,057	574,786
Residential customers heat and energy	486,653	172,092
Connection fees	220,500	34,500
	<u>1,278,210</u>	<u>781,378</u>

	2020 £	2019 £
Contract counterparties		
Commercial customers	791,557	609,286
Residential customers via related party	47,314	45,892
Direct to residential customers	439,339	126,200
	<u>1,278,210</u>	<u>781,378</u>

5. Investment income

	2020 £	2019 £
Interest receivable	<u>956</u>	<u>451</u>

**NOTES TO THE FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 31 MARCH 2020**

6. Expenses by nature

	2020 £	2019 £
Energy costs for the production and supply of gas and electricity	729,090	495,850
Premises, operational and maintenance costs	97,571	17,461
Agency, support and consultancy fees	273,813	310,224
Customer supply interruption compensation	58,264	-
Bad debt provision	18,388	-
Legal and professional fees	50,207	1,752
Other overhead costs	12,320	7,500
Interest payable	92,377	84,922

7. Employees

There were no staff costs for the year ended 31 March 2020 (2019: nil).

	2020 £	2019 £
Directors' remuneration	-	-

8. Finance costs

	2020 £	2019 £
Interest payable	92,377	84,922

9. Loss before tax

	2020 £	2019 £
This is arrived at after charging:		
Auditor's remuneration	7,500	7,500

No non-audit fees were incurred in the year (2019: none).

10. Income Tax

The company has incurred trading losses in the year and in conjunction with cumulative losses brought forward has no liability to corporation tax in the current year.

11. Tangible fixed assets

	Assets under construction £	Total £
Cost or valuation		
At 1 April 2019	2,495,450	2,495,450
Additions	293,619	293,619
At 31 March 2020	2,789,069	2,789,069

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS – continued
FOR THE YEAR ENDED 31 MARCH 2020**

12. Trade and other receivables

	2020 £	2019 £
Current:		
Trade receivables	443,681	176,270
Prepayments	-	6,914
Accrued income	186,959	-
Other	-	53,687
	<u>630,640</u>	<u>236,871</u>

Disclosure of the 2019 comparative balances has been reassessed which has resulted in the reclassification of balances between Trade and other receivables and Trade and other payables (note 15).

13. Cash and cash equivalents

	2020 £	2019 £
Bank account	<u>1,006,443</u>	<u>177,527</u>

14. Borrowings

	2020 £	2019 £
Unsecured		
Loans from related parties	<u>2,733,293</u>	<u>2,345,347</u>
Current	-	-
Non-current	<u>2,733,293</u>	<u>2,345,347</u>
	<u>2,733,293</u>	<u>2,345,347</u>
Working capital loan (i)	897,504	862,731
Capital loan (ii)	<u>1,835,789</u>	<u>1,482,616</u>
	<u>2,733,293</u>	<u>2,345,347</u>

(i) The company has a £1.7 million working capital loan facility with its parent, the London Borough of Barking and Dagenham. The loan facility is available for 10 years which commenced on 1 April 2017. Interest is charged at 3% above the Bank of England base rate. Repayment of the loan principal and interest commences in the year ended 31 March 2023. The purpose of the loan is to fund revenue expenditure.

(ii) The company has a £3 million capital loan facility with its parent which commenced on 1 April 2017 for a term of 25 years. Interest is charged at 3% above the Bank of England base rate. Repayment of the loan principal and interest commences in the year ended 31 March 2023. The purpose of the loan is to fund capital costs incurred in the development of district energy schemes.

Total interest of £92,377 (2019: £84,922) was accrued in respect of the loan facilities employed during the year ended 31 March 2020.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020**

15. Trade and other payables

	2020 £	2019 £
Current:		
Local taxation	10,338	-
Accruals	352,351	88,967
	<u>362,689</u>	<u>88,967</u>

Disclosure of the 2019 comparative balances has been reassessed which has resulted in the reclassification of balances between Trade and other payables and Trade and other receivables (note 12).

16. Deferred revenue

	2020 £	2019 £
Government grants	<u>1,990,000</u>	<u>1,075,000</u>
Current	43,000	-
Non-current	<u>1,947,000</u>	<u>1,075,000</u>
	<u>1,990,000</u>	<u>1,075,000</u>

The company has secured Heat Networks Investment Project (HNIP) government grants in respect of the development of the infrastructure required to deliver gas and electricity to the company's customers. Grant income is recognised on a straight-line basis over the initial contract period once assets benefiting from the grant are brought into use.

On 25 March 2018, an HNIP government grant of £1,075,000 was received in respect of the company's Becontree development. The asset was brought into use in April 2020 at which point the deferred grant of £1,075,000 will be released to the statement of profit or loss over a 25 year period.

On 18 November 2019 the company secured a further £5,000,000 grant to be provided over the 2019/20 and 2020/21 fiscal years in respect of construction costs incurred on the Barking Town Centre Strategic District Energy Scheme. At 31 March 2020 the company had received £915,000 of this grant award. At 31 March 2020 the balance of £915,000 has been recognised as deferred income.

17. Called up share capital

Allotted, issued and fully paid:	Number	Class	Nominal value	2020 £	2019 £
	1	Ordinary	£1	1	1

18. Reserves

	2020 £	2019 £
Current:		
Deficit at 1st April 2019	(599,467)	(449,032)
Loss for the year	(60,364)	(150,435)
Deficit at 31st March 2020	<u>(659,831)</u>	<u>(599,467)</u>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020**

19. Reconciliation of loss to net cash generated from operating activities

	2020 £	Restated 2019 £
Loss before income tax	(60,364)	(150,435)
Adjustments for:		
Finance income	(956)	(451)
Interest payable (on intercompany borrowing)	94,327	84,922
	<u>33,007</u>	<u>(65,964)</u>
(Increase)/decrease in trade and other receivables	(393,769)	162,918
Increase/(decrease) in trade and other payables	273,722	(130,258)
Cash generated by operating activities	<u>(£87,040)</u>	<u>(£33,304)</u>

20. Accounting policies

Revenue

For all contracts with customers the company recognises revenue when performance obligations have been satisfied. For most of the company's contracts revenue is recognised over time as the customer receives and consumes the benefits provided by the company.

IFRS 15 establishes a five-step model which the company has applied to all sales contracts with customers to identify the revenue which can be recognised. The model is applied at contract inception and on the assumption that the contract will operate as defined in the contract and that the contract will not be cancelled, renewed or modified. After contract inception a change in the scope or price of a contract that is approved by the parties to the contract is considered a contract modification.

Performance obligations and timing of revenue recognition

Revenues from energy services are generated primarily from the sale of electricity and heat to customers. Revenue from contracts with customers reflects the value of the volume supplied which includes an estimated value of the volume supplied to customers between the last meter reading and the end of the period. This is based on historic meter readings and industry consumption data.

At the reporting date the company recognises accrued income or deferred income when the revenue recognised is cumulatively higher or lower than the amounts invoiced to the customer.

In respect of long-term contracts, the company enters into long-term contracts when connecting new customers to the heat and electricity supply facilities. Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year-end by recording turnover and related costs as contract activity progresses. Revenue is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

Turnover is attributable to one geographical market, the United Kingdom.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020**

20. Accounting policies (continued)

Government grants

Government grants that are awarded to the company are recognised only when there is reasonable assurance that the company will comply with the conditions attached to the grant and that the grant will be received.

The grant is recognised as revenue over the period in which the related costs for which the grant is intended to compensate are incurred on a systematic basis. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs, is recognised as revenue in the period in which it is receivable.

Grants receivable in respect of costs attributable to the development and construction of capital assets are held on the balance sheet as deferred income and released to revenue as "other income" over the life of the asset once this is brought into use.

Tangible fixed assets

Tangible fixed assets, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred if the replacement part is expected to provide incremental future benefits to the group. The carrying amount of the replaced part is derecognised. Repairs and maintenance costs are charged to the Statement of Profit or Loss and Other Comprehensive Income during the period in which they are incurred.

Depreciation

Depreciation is charged so as to write off the cost or valuation of assets, over their estimated useful lives, using a straight-line balance method, on the following basis.

Plant and machinery	- Over 10 to 60 years or over the remaining term of the contract
Assets under construction	- No depreciation charged

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

Assets under construction include those costs incurred on plant and machinery which are not yet fully commissioned. Assets under construction are not depreciated until they are brought into use, when they are transferred to the relevant asset class and depreciated over their useful economic lives.

Debtors

Receivables are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

Cash and cash equivalents

Cash comprises cash on hand and demand deposits.

Creditors

Trade payables are stated at their nominal value.

Expenses

All expenses are accounted for on an accruals basis.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020**

20. Accounting policies (continued)

Finance costs

Finance costs are charged to the Statement of Profit or Loss and Other Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the Statement of Profit or Loss and Other Comprehensive Income because it excludes items of income and expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that were applicable at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient profits will be available to allow all or part of the assets to be recovered.

Financial instruments

The company recognises financial instruments when it becomes a party to the contractual arrangements of the instrument. Financial instruments are de-recognised when they are discharged or when the contractual term expires. The company's accounting policies in respect of financial instruments are explained below:

Financial assets

Financial assets arise principally from the provision of goods and services to customers (e.g. trade receivables) and do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amounts.

The impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. Impairment provisions are recorded in a separate provision account with the loss being recognised in profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Financial liabilities

Financial liabilities, which are neither held for trading nor designated as at fair value through the Statement of Profit or Loss and Other Comprehensive Income are initially measured at transaction price (after deducting transaction costs) and subsequently held at amortised cost using the effective interest method.

Share capital

Financial instruments issued by the company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The company's ordinary share is classified as an equity instrument.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 MARCH 2020**

21. Related party disclosures

As disclosed in note 14, the company has loan facilities provided by its parent, LBBD. During the year net funds of £293,619 were drawn on the facilities. Interest of £92,377 (2019: £84,922) was charged in the year and added to the loan principal. At the year end the company owed LBBD £2,733.293 (2019: £2,345,347).

During the year the company continued to receive operational support from LBBD. The support comprises of LBBD finance staff, director and other staff costs and use of premises costs which is not recharged to the company. It is not possible to quantify the value of this support.

The company provides heat and energy supplies to group entities owned and controlled by LBBD. These entities act as landlords to customers in residential developments connected to the district energy schemes operated by the company. Maintenance service costs related to these supplies are also charged to the group entities.

In aggregate, supplies for heat, energy and maintenance costs of £47,314 (2019: £45,892) were charged to group entities. At the year end the company was owed:

B&D Reside Weavers LLP	(maintenance costs)	£49,139
B&D Reside Weavers LLP	(heat and energy)	£451
B&D Reside Regeneration LLP		£5,852

22. Ultimate controlling party

The Company's immediate and ultimate parent company is the London Borough of Barking and Dagenham. The London Borough of Barking and Dagenham is the controlling party.

23. Post balance sheet events

In April 2020 plant that had been constructed through LBBD became operational and was transferred from assets under construction and recognised as plant and machinery of the company.